

## Message Text

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DRAFTED BY EA/TB - JAKLEMSTINE:MFG:LRR

APPROVED BY EA - LESTER E. EDMOND

EA/TB - GBROBERTS

EB/IFD/OIA - MR. STEBBING

L/EA - MR. ROH

OPIC/GC - MR. FRANKLIN

L/EB - MR. BOND

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R 201923Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK

C O N F I D E N T I A L STATE 063176

E.O. 11652: GDS

TAGS: EINV, TH

SUBJECT: TEMCO

REF: BANGKOK 4394 AND PREVIOUS

1. NOW THAT THE TEMCO CONCESSION HAS BEEN CANCELLED THE QUESTION ARISES AS TO WHERE WE GO FROM HERE. UNION CARBIDE HAS INFORMED THE DEPARTMENT THEY ARE DISCUSSING THEIR NEXT STEPS WITH BILLITON AND A FINAL DECISION WILL PROBABLY NOT BE MADE UNTIL AFTER A MEETING WITH LOCAL COMPANY OFFICIALS IN BANGKOK NEXT WEEK.

2. THE QUESTIONS OF THAILAND'S ELIGIBILITY FOR GSP UNDER THE TRADE ACT OF 1974; ITS POSITION WITH REFERENCE TO AID CUTOFFS AND US VOTING AGAINST FUTURE IFI LOANS (THE HICKEN-LOOPER AND GONZALES AMENDMENTS, SEC. 620 (E) OF THE 1962 FOREIGN ASSISTANCE ACT AND SEC. 12 OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION ACT, RESPECTIVELY; AND PROBLEM OF OPIC INSURANCE CLAIMS WILL DEPEND INTER ALIA ON WHETHER

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EXPROPRIATION HAS IN FACT OCCURRED AND WHETHER "PROMPT,

ADEQUATE AND EFFECTIVE COMPENSATION" IS PAID OR ADEQUATE STEPS ARE BEING TAKEN TO THAT END. WE HAVE NOTED WITH SOME CONCERN BANGKOK PRESS REPORTS THAT AGITATORS AGAINST TEMCO HAVE DEMANDED THAT NO COMPENSATION BE PAID SINCE THE

COMPANY "VIOLATED" THAI LAW. ALSO, ACCORDING TO BANGKOK POST ARTICLE, THAI LAWYERS ARE BEING PRESSURED NOT TO DEFEND THE COMPANY. IF THE GOVERNMENT ALSO BOWS TO THESE DEMANDS, ALL THE LEGISLATIVE CONSIDERATIONS NOTED ABOVE CAN RESULT IN A SERIOUS SETBACK TO OUR BILATERAL RELATIONS. FORTUNATELY, WE STILL HAVE SOME TIME AS THE COMPANY SEEKS REDRESS.

3. WHETHER UNION CARBIDE AND ITS PARTNER OBTAIN REDRESS THROUGH THE THAI COURTS OR BY DIRECT NEGOTIATIONS WITH THE GOVERNMENT WILL BE A MATTER FOR THEM TO DECIDE. GIVEN THE THAI POLITICAL SITUATION, THE PROSPECTS FOR SUCCESSFUL DIRECT NEGOTIATIONS ARE NOT PROMISING, YET THAI COURT PROCEEDINGS CAN BE EXTREMELY DRAWN OUT. EMBASSY COMMENTS ON THIS POINT WOULD BE APPRECIATED.

4. AT THE PRESENT TIME WE BELIEVE THE BEST POLICY IS FOR THE COMPANY TO "CARRY THE BALL" WITH THE DEPARTMENT AND EMBASSY PROVIDING APPROPRIATE ASSISTANCE AS NECESSARY, AND HAVE SO ADVISED UNION CARBIDE. IN THE MEANTIME, IN RESPONSE TO INVESTOR INQUIRIES, WE ARE TAKING AN EXTREMELY CAUTIOUS VIEW ON THAILAND'S PRESENT INVESTMENT OUTLOOK AND CLIMATE. INGERSOLL

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